

Message Text

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DRAFTED BY EA/IMS:ADORNHEIM:CCH

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FM SECSTATE WASHDC

TO AMEMBASSY JAKARTA

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E.O. 11652: N/A

TAGS: BFOL, ID

SUBJECT: HOLIDAY INNS INVOLVEMENT WITH NEW HOTEL VENTURES
IN INDONESIA

1. HOLIDAY INNS CONSIDERING FRANCHISE AND/OR MANAGEMENT CONTRACT WITH GROUP OF INDONESIANS SUCCEEDING TO ASSETS OF INTERCONTINENTAL HOTEL CORP. NEW ENTERPRISE WOULD BE OWNED BY MINISTER FINANCE, MINISTER COMMUNICATIONS, PRESIDENTIAL PERSONAL ASSISTANT SOERJO WIRDJOHADJIPUTRO, AND OTHERS, OSTENSIBLY INVESTING AS PRIVATE INDIVIDUALS. IT WOULD OPERATE HOTEL INDONESIA, BALI BEACH HOTEL, PLUS FOUR NEW HOTELS AT SEMARANG, SURABAYA, SOLO, AND MENADO. REPRESENTATIVES NEW INDONESIAN HOTEL ENTERPRISE WILL BE MEETING HOLIDAY INNS*EXECUTIVES IN MEMPHIS FEB. 5 TO DISCUSS.

2. PROSPECTIVE INDONESIAN OWNERS ARE SEEKING A US 9 MILLION DOLS 10-PERCENT 10-YEAR LOAN FROM MARINE MIDLAND BANK TO FINANCE FOUR NEW HOTELS AND HAVE ASKED HOLIDAY INNS TO ACT AS GUARANTOR. THREE MONTHS AGO HOLIDAY INNS HAD BEEN ASKED TO GUARANTEE ONLY A 3 MILLION DOLS LOAN FOR
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SAME PURPOSE. U.S. FIRM NORMALLY RELUCTANT ACT AS LOAN

GUARANTOR BUT HAS DONE SO IN PAST TO SECURE BUSINESS IT WANTS AND WAS APPARENTLY PREPARED TO DO SO WHEN AMOUNT WAS 3 MILLION DOLS. HIGHER GUARANTEE AMOUNT WOULD REQUIRE NEW MANAGEMENT DECISION.

3. HOLIDAY INNS WOULD APPRECIATE EMBASSY COMMENTS, IN TIME FOR FEB. 5 MEETING, ON FINANCIAL RELIABILITY AND POLITICAL PROSPECTS OF REPORTED NEW OWNERSHIP. HOLIDAY INNS BELIEVES HOTEL INDONESIA TO BE A PROFITABLE OPERATION BUT WOULD ALSO LIKE ANY EMBASSY COMMENTS ON BUSINESS RECORD OF OTHER MAJOR HOTELS IN COUNTRY. KISSINGER

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